

110TH CONGRESS
1ST SESSION

S. 2036

To temporarily raise conforming loan limits in high cost areas and portfolio caps applicable to Freddie Mac and Fannie Mae, to provide the necessary financing to curb foreclosures by facilitating the refinancing of at-risk subprime borrowers into safe, prime loans, to preserve liquidity in the mortgage lending markets, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 10, 2007

Mr. SCHUMER introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To temporarily raise conforming loan limits in high cost areas and portfolio caps applicable to Freddie Mac and Fannie Mae, to provide the necessary financing to curb foreclosures by facilitating the refinancing of at-risk subprime borrowers into safe, prime loans, to preserve liquidity in the mortgage lending markets, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Protecting Access to
5 Safe Mortgages Act”.

1 **SEC. 2. FINDINGS.**

2 Congress finds that—

3 (1) American families will be severely harmed
4 by an unprecedented wave of potential foreclosures
5 expected to occur in the next 12 months, as adjust-
6 able rate subprime mortgages reset to higher inter-
7 est rates;

8 (2) preventing such foreclosures and facilitating
9 the refinancing of at-risk subprime borrowers into
10 safe prime loans will require additional capacity on
11 the part of the government sponsored enterprises,
12 the Federal National Mortgage Association, and the
13 Federal Home Loan Mortgage Association, and any
14 affiliates thereof, to purchase additional financing;

15 (3) there is a lack of liquidity in the financial
16 markets for mortgage backed securities, which
17 threatens to impair financing for all mortgages; and

18 (4) the government sponsored enterprises, the
19 Federal National Mortgage Association, and the
20 Federal Home Loan Mortgage Corporation, and any
21 affiliates thereof, are uniquely positioned to provide
22 the financing necessary to alleviate the predicted
23 wave of upcoming foreclosures, and the liquidity nec-
24 essary to help United States markets.

1 **SEC. 3. DEFINITIONS.**

2 For purposes of this Act, the following definitions
3 shall apply:

4 (1) DIRECTOR.—The term “Director” means
5 the Director of the Office of Federal Housing Enter-
6 prise Oversight of the Department of Housing and
7 Urban Development.

8 (2) ENTERPRISE.—The term “enterprise”
9 means—

10 (A) the Federal National Mortgage Asso-
11 ciation, and any affiliate thereof; and

12 (B) the Federal Home Loan Mortgage
13 Corporation, and any affiliate thereof.

14 (3) FANNIE MAE CONSENT DECREE.—The term
15 “Fannie Mae Consent Decree” means the order of
16 the Office of Federal Housing Enterprises Oversight
17 dated May 23, 2006, in the matter of the Federal
18 National Mortgage Association.

19 (4) FREDDIE MAC LETTER.—The term
20 “Freddie Mac Letter” means the letter dated July
21 31, 2006, from the Chairman and Chief Executive
22 Officer of the Federal Home Loan Mortgage Cor-
23 poration to the Director.

24 (5) OFHEO.—The term “OFHEO” means the
25 Office of Federal Housing Enterprises Oversight.

1 **SEC. 4. AMENDMENTS TO CONFORMING LOAN LIMITS.**

2 (a) FANNIE MAE.—Section 302(b)(2) of the Federal
3 National Mortgage Association Charter Act (12 U.S.C.
4 1717(b)(2)) is amended by adding at the end the fol-
5 lowing: “During the 1-year period beginning on the date
6 of enactment of the Protecting Access to Safe Mortgages
7 Act, the limitations established under this paragraph shall
8 be increased with respect to properties of a particular size
9 located in any area for which the median price for such
10 size residence exceeds the foregoing limitations for such
11 size residence, to the lesser of 150 percent of such fore-
12 going limitation for such size residence or the amount that
13 is equal to the median price in such area for such size
14 residence.”.

15 (b) FREDDIE MAC.—Section 305(a)(2) of the Fed-
16 eral Home Loan Mortgage Corporation Act (12 U.S.C.
17 1454(a)(2)) is amended by adding at the end the fol-
18 lowing: “During the 1-year period beginning on the date
19 of enactment of the Protecting Access to Safe Mortgages
20 Act, the limitations established under this paragraph shall
21 be increased with respect to properties of a particular size
22 located in any area for which the median price for such
23 size residence exceeds the foregoing limitations for such
24 size residence, to the lesser of 150 percent of such fore-
25 going limitation for such size residence or the amount that

1 is equal to the median price in such area for such size
2 residence.”.

3 **SEC. 5. LIFTING OF PORTFOLIO CAPS.**

4 (a) IN GENERAL.—Immediately upon the date of en-
5 actment of this Act, the Director shall terminate, suspend,
6 modify, or otherwise lift—

7 (1) the limitation on growth provision set forth
8 in section 4, Article III of the Fannie Mae Consent
9 Decree; and

10 (2) the voluntary temporary growth limitation
11 described in the Freddie Mac Letter.

12 (b) FACTORS.—In carrying out subsection (a), the
13 Director shall increase the mortgage portfolio limitations
14 of both enterprises by not less than 10 percent, unless the
15 Director certifies in writing to the Committee on Banking,
16 Housing, and Urban Affairs of the Senate and the Com-
17 mittee on Financial Services of the House of Representa-
18 tives, and demonstrates by compelling evidence that such
19 action is likely to result in a significant depletion of the
20 core capital of an enterprise, or otherwise create an unsafe
21 and unsound condition.

22 (c) ALLOCATION.—Fifty percent of the portfolio in-
23 crease described in subsection (b) shall be used on loans
24 which have had or will have interest rate resets between
25 June 2005 and December 2009.

1 **SEC. 6. SUNSET PROVISION.**

2 This Act and the amendments made by this Act are
3 repealed, effective 1 year after the date of enactment of
4 this Act.

